S
351.7232
L72mcm
1986

State of Montana
Office of the Legislative Auditor

REPORT TO THE LEGISLATURE

MONTANA COLLEGE OF MINERAL SCIENCE AND TECHNOLOGY

BUREAU OF MINES

STATE DOCUMENTS COLLECTION

FEB 10 1988

MONTANA STATE LIBRARY
1515 E. 6th AVE.
HELENA, MONTANA 59620

Financial-Compliance Audit
For the Two Fiscal Years Ended June 30, 1986

This report contains six recommendations for the improvement of the college operations. The major items addressed in the report include:

- Compliance with reporting of unrestricted student FTEs.
- Accounting for associated student organizations.
- Compliance with charging leave benefits to federal programs.

PLEASE RETURN

Direct comments/inquiries to:
Office of the Legislative Auditor
Room 135, State Capitol
Helena, Montana 59620

86-6

MONTANA STATE LIBRARY
S 351.7232 L72mcm 1986 c.1
Montana College of Mineral Science and T
3 0864 00058556 5

FINANCIAL-COMPLIANCE AUDITS

Financial-compliance audits are conducted by the Office of the Legislative Auditor to determine if an agency's financial operations are properly conducted, the financial reports are presented fairly, and the agency has complied with applicable laws and regulations which could have a significant financial impact. In performing the audit work, the audit staff uses standards set forth by the American Institute of Certified Public Accountants and the United States General Accounting Office.

Financial-compliance audit staff members hold degrees with an emphasis in accounting. Most staff members hold Certified Public Accountant (CPA) certificates.

MEMBERS OF THE LEGISLATIVE AUDIT COMMITTEE

Senator Judy Jacobson, Chairman
Senator Delwyn Gage
Senator Tom Keating
Senator Ted Neuman

Representative John Cobb,
Vice Chairman
Representative Dorothy Bradley
Representative Harry Fritz
Representative Bruce Simon

2/88

STATE OF MONTANA

Office of the Legislative Auditor

STATE CAPITOL
HELENA, MONTANA 59620
406/444-3122

SCOTT A. SEACAT
LEGISLATIVE AUDITOR

DEPUTY LEGISLATIVE AUDITORS:
JAMES GILLETT
FINANCIAL-COMPLIANCE AUDITS
JIM PELLEGRINI
PERFORMANCE AUDITS

LEGAL COUNSEL:
JOHN W. NORTHEY

February 1987

MONTANA STATE LIBRARY
STATE CAPITOL
HELENA, MONTANA 59620

The Legislative Audit Committee
of the Montana State Legislature:

This is our financial-compliance audit report on Montana College of Mineral Science and Technology including the Bureau of Mines for the two fiscal years ending June 30, 1986. Included in this report are recommendations concerning compliance with reporting of unrestricted student FTEs, accounting for associated student organizations, and compliance with charging leave benefits to federal programs. The college's responses are located at the end of the report.

We thank the college staff for their assistance and cooperation.

Respectfully submitted,

Scott A. Seacat
Legislative Auditor

Office of the Legislative Auditor

MONTANA COLLEGE OF MINERAL SCIENCE AND TECHNOLOGY

BUREAU OF MINES

Financial-Compliance Audit
For the Two Fiscal Years Ended June 30, 1986

Audit staff involved in this audit include: Jody Alke, Julie Barr, Don Davies, Mike Donovan, Laurie Evans, John Fine, Maureen Lassey, Lorry Parriman, and Shari Scoles.

TABLE OF CONTENTS

	Page
Appointed and Administrative Officials	iii
Summary of Recommendations	iv
Introduction	1
Background	1
Funding Levels	2
Associated Student Organizations	3
Use of Restricted Funds	5
Federal Compliance	6
Leave Benefits	6
Cash Management	7
Pell Validations	8
Indirect Costs	9
Disaster Recovery Plan	9
Prior Audit Recommendations	10
Auditor's Opinion Letter and College Financial Statements	
Summary of Audit Opinion	
Auditor's Opinion Letter	11
Balance Sheet, June 30, 1986	13
Statement of Changes in Fund Balances for the Year Ended June 30, 1986	15
Statement of Current Funds' Revenues, Expenditures and Other Changes for the Year Ended June 30, 1986	17
Statement of Changes in Fund Balances for the Year Ended June 30, 1985	19
Statement of Current Funds' Revenues, Expenditures and Other Changes for the Year Ended June 30, 1985	21

TABLE OF CONTENTS (continued)

	Page
Notes to Financial Statements	23
Bond Accounts Schedule of Assets, Liabilities, and Fund Balance, June 30, 1986	31
Bond Accounts Schedule of Changes in Fund Balances for the Year Ended June 30, 1986	32
Schedule of Full-Time Equivalent (FTE) Students for the Two Fiscal Years Ending June 30, 1986	33
Agencies' Response	
Montana College of Mineral Science and Technology	34
Commissioner of Higher Education	37

APPOINTED AND ADMINISTRATIVE OFFICIALS

BOARD OF REGENTS OF HIGHER EDUCATION

		Term Expires
Ted Schwinden, Governor*		1988
Ed Argenbright, Superintendent of Public Instruction*		1988
Dennis Lind, Chairman	Missoula	1989
Burt Hurwitz, Vice Chairman	White Sulphur Springs	1993
Scott Birkenbuel	Bozeman	1987
Jeffrey Morrison	Helena	1987
Beatrice McCarthy	Anaconda	1990
Elsie Redlin	Sidney	1991
Jim Kaze	Havre	1992

*Ex officio members

COMMISSIONER OF HIGHER EDUCATION

Dr. Carrol Krause	Commissioner of Higher Education
John H. Noble, Jr.	Deputy Commissioner for Management and Fiscal Affairs

MONTANA COLLEGE OF MINERAL SCIENCE AND TECHNOLOGY

ADMINISTRATION

Dr. Lindsay Norman	President, effective July 1, 1986
Dr. Irving E. Dayton	Acting President, from September 1, 1985 to June 30, 1986
Dr. Fred W. DeMoney	President, through August 31, 1985
Victor Burt	Director of Fiscal Affairs
John Badovinac	Controller

SUMMARY OF RECOMMENDATIONS

This listing serves as a means of summarizing the recommendations contained in the report and the college's response to them. The major issues address problems concerning compliance with reporting of unrestricted student FTEs, accounting for associated student organizations, and compliance with charging leave benefits to federal programs.

	Page
Recommendation #1	
The college report student FTE in accordance with regents' policy.	3
College Response: Concur. See page 35.	
Commissioner of Higher Education Response: Concur. See page 37.	
Recommendation #2	
The college account for moneys not specifically restricted as to use by external sources in the Unrestricted Fund.	6
College Response: Concur. See page 35.	
Recommendation #3	
The college establish procedures to charge federal grants for leave benefits earned by employees while working on grants.	7
College Response: Concur. See page 35.	
Recommendation #4	
The college properly validate Pell applications.	9
College Response: Concur. See page 35.	
Recommendation #5	
The college recover indirect costs of administering federal grants in accordance with state law.	9
College Response: Concur. See page 36.	

SUMMARY OF RECOMMENDATIONS (continued)

	Page
Recommendation #6	
The college formalize a written disaster recovery plan for critical data processing applications.	10

College Response: Concur. See page 36.

INTRODUCTION

We performed a financial-compliance audit of Montana College of Mineral Science and Technology for the two fiscal years ended June 30, 1986. The objectives of our audit were to:

1. make recommendations for improvement in the management and internal controls of the college;
2. determine the college's compliance with applicable state and federal laws and regulations; and
3. determine if the college's financial statements present fairly the results of its operations as of and for the two fiscal years ended June 30, 1986.

In accordance with section 5-13-307, MCA, we analyzed and disclosed the costs, if significant, of implementing recommendations.

BACKGROUND

Montana College of Mineral Science and Technology is one of six institutions which comprise the Montana University System. The college is under the control and supervision of the Board of Regents of Higher Education, and was established by the 3rd Legislative Assembly in 1893. It was initially called the Montana School of Mines, and in 1965, the name was changed to Montana College of Mineral Science and Technology.

The Montana Bureau of Mines and Geology was established as a department of Montana College of Mineral Science and Technology by the 1919 Legislative Assembly. This bureau is charged with furthering the effective use of mineral resources through the investigation of their geology, production, treatment, and economics. The financial activity of the bureau is included in the college's records.

The college had 219 full-time employees during fiscal year 1985-86. During fall semester of fiscal year 1985-86 the college had 1,639 full-time equivalent students enrolled.

The college offers engineering degrees in the following areas: geological, geophysical, metallurgical, mineral processing, mining, petroleum, engineering science, and environmental engineering. The college also offers degrees in business administration, chemistry, computer science, mathematics, occupational safety and health, and society and technology.

The college is financed primarily by appropriations from the General Fund, the University Millage Account, and student fees. Revenue is also generated from federal grants, private gifts and grants, and auxiliary enterprise operations.

FUNDING LEVELS

Student enrollment is a factor used by the legislature when it determines state funding levels for each unit of the Montana University System. Each unit converts its enrollment figures into full-time equivalents (FTEs).

The Office of the Commissioner of Higher Education (CHE) has established policies outlined in the "Registrars' Manual for Reporting Enrollment Data" for the university units to follow in reporting information. One of the reports CHE requires is the "Summary of Restricted Enrollments and Student Classifications." The criteria for this report states that enrollments generated by restricted funds must be identified so they may be removed from the total enrollment figures used to generate state funding. It further states that restricted enrollments mean student credit hours generated in any course or program in which the instructor's teaching responsibilities are funded by sources outside the regular operating budget of the institution.

We noted that, although a portion of the Military Science program is federally funded, the college did not factor out these FTEs in computing the state funded FTE levels. Because the college receives funding other than state moneys for this program, it should eliminate the FTEs associated with this type of funding from the total FTE counts to properly determine state funding levels. The FTEs associated with the Military Science program

were 1.97 in fiscal year 1984-85 and 1.8 in fiscal year 1985-86. Since the college did not remove the FTEs associated with the military science program, it received more state funding than it should have.

The college does not consider these FTEs to be restricted enrollments because only the instructor salaries are paid directly by the federal government. As defined in Regents' policy, Military Science FTEs clearly meet the restricted criteria and the college should identify and remove them from enrollment figures used to generate state funding.

The college did not have a military science program prior to fiscal year 1984-85. Therefore, the college did not receive additional funding in fiscal year 1984-85 or 1985-86. However, since state funding is based on projected enrollments, and if these FTEs are not removed from the base, the college could receive additional funding in the future.

RECOMMENDATION #1

WE RECOMMEND THE COLLEGE REPORT STUDENT FTE IN ACCORDANCE WITH REGENTS' POLICY.

ASSOCIATED STUDENT ORGANIZATIONS

The Associated Students of Montana College of Mineral Sciences and Technology (ASMCMST) is an organization representing all registered students at the college. The Board of Regents and the college administration do not take an active role in the day-to-day operations of ASMCMST. However, the student organization must follow the University System policies and procedures. According to these policies, ASMCMST's constitution is subject to approval by the President of the college and ASMCMST must follow applicable state and federal laws/regulations and Regents'/unit policies. This includes, but is not limited to, purchasing, travel, personnel, and accounting.

ASMCMST receives funding from mandatory student activity fees established by the Board of Regents, receipts from all entertainments, activities, and benefits conducted by ASMCMST, and donations. Currently, the college accounts for these activities in an agency fund. According to generally accepted accounting principles (GAAP), an agency fund is used to account for the resources held by the college as a custodian or fiscal agent for individual students, faculty, staff members, and private organizations. The Office of the Commissioner of Higher Education (CHE) has requested an Attorney General's Opinion concerning whether employees of the student organizations are state employees eligible for membership in the Public Employees' Retirement System (PERS). CHE states in the Attorney General's opinion request,

> "It is incongruous to classify (the associated student organization) as a private organization for which a public agency may collect a tax (the mandatory fee). The precise characterization of (the associated student organization) is perhaps difficult, but it functions as part of the campus community. . . . (The associated student organization) does not control its own membership. This is hardly an indicator of a private organization. (The associated student organization) is recognized and treated as part of the University and subject to ultimate control by the Board of Regents."

Since the college exercises significant control by establishing policies which the student organization must follow, the activities do not meet the criteria of an agency fund and would be more appropriately recorded in the Designated Fund. The Designated Fund is used to account for resources that are internally designated by the governing board. During fiscal year 1985-86, ASMCMST collected $188,641 and expended $184,613.

CHE indicated the outcome of the Attorney General's opinion will determine if the accounting for student organization funds must be reclassified from the Agency Fund to the Designated Fund. In January, 1987, and subsequent to our fieldwork, the Attorney General issued an opinion indicating employees of the student organization were eligible for PERS. CHE has not had

sufficient time to adequately resolve the issue. Since CHE is currently addressing this issue, we note this in our report for information purposes and make no recommendation at this time. We will review this issue during the next audit.

USE OF RESTRICTED FUNDS

The college receives "fixed price" contracts from sources external to the college. Under a "fixed price" contract, the college agrees to do a project for a preestablished fee, regardless of the actual cost of the project. If the actual cost of the project is less than the fixed price amount, the college can use the excess funds for current operating purposes. The college accounts for the excess funds in the Restricted Fund and allows the project director to use these funds at his discretion. At June 30, 1986, the college had $3,681 of unspent contract funds on hand.

In addition, the college offers a placer mining class. The college accounts for the fees collected from the students and the expenses related to it in the Restricted Fund. College personnel indicated they account for these moneys in the Restricted Fund since the revenues generated from the course are used to pay the costs of it. During fiscal year 1985-86, the college collected $3,540 of tuition and incurred $4,358 of expenses related to the class.

Section 17-1-102(4), MCA, requires all agencies to "input all necessary transactions . . . for which the agency is accountable in accordance with generally accepted accounting principles . . ." (GAAP). According to GAAP, a Restricted Fund is used to account for moneys available to finance operations but the use is limited to specific purposes imposed by sources external to the college. Unrestricted Funds are used to account for moneys received where there is no stipulation made by external sources as to the purpose for which the money should be expended. The use of the excess grant funds and the class fees are at the discretion of the college. Since the designation remains at the discretion of

the college and internal designations do not create restricted funds, the college should account for these moneys in the Unrestricted Fund.

RECOMMENDATION #2

WE RECOMMEND THE COLLEGE ACCOUNT FOR MONEYS NOT SPECIFICALLY RESTRICTED AS TO USE BY EXTERNAL SOURCES IN THE UNRESTRICTED FUND.

FEDERAL COMPLIANCE

Our audit of federal moneys was performed in accordance with the requirements of Standards for Audits of Governmental Organizations, Programs, Activities, and Functions and Office of Management and Budget "Circular A-128." Circular A-128 provides for independent audits of financial operations, including compliance with certain federal laws and regulations. The following sections discuss three instances where the college is not in compliance with federal regulations.

Leave Benefits

Office of Management and Budget "Circular A-21" identifies allowable costs which the college may charge to federal grants. It states employee benefits such as annual leave, sick leave, and holidays are allowable to the extent the cost is equitably allocated to all related activities, including grant programs.

The college charges the hours of leave taken by an employee during a pay period to the area the employee is working on during that pay period. However, using this method may result in charging grants for leave taken in excess of the amount earned while working on the federal project. Conversely using this method may result in charging state funds for leave taken after the grant project ended but earned while working on the project. The college indicated it charges these costs in this manner because it did not know of a cost effective method of allocating these costs.

The college could equitably charge these benefits to grants for reimbursement by applying a factor to direct salaries. This factor would include leave expenses in the payroll expenses charged to each grant. Another method the college could use would be to include leave benefits in its indirect cost base.

RECOMMENDATION #3

WE RECOMMEND THE COLLEGE ESTABLISH PROCEDURES TO CHARGE FEDERAL GRANTS FOR LEAVE BENEFITS EARNED BY EMPLOYEES WHILE WORKING ON GRANTS.

Cash Management

During fiscal year 1985-86, the college received approximately $1.2 million of federal moneys for federally assisted grants, contracts, and student aid. The college receives these funds through cash requests. We noted excessive cash balances (cash at the end of a month exceeding the subsequent months total expenditures) in one out of two months tested in each fiscal year 1984-85 and 1985-86.

The prior audit indicated the college had excess cash. The college did not begin to take corrective action to manage its cash until part way through the current audit period. Also, college officials indicated there is a time lag from the request to the receipt of funds from the federal government. College personnel stated the time lag required the college to project and request their cash needs in advance in order to ensure sufficient cash was available. In addition, for one month tested, the individual in the Business Office requesting the funds asked the student aid officer how much funds he needed. The individual did not realize the student aid officer had indicated the need for the entire semester.

The March 1984 student financial aid audit guide indicates if the school is on the cash request system, as the college is, the amount of cash in the accounts should not exceed one month's need. Schools such as the college, receiving annual advances in

excess of $120,000 and for which a continuing relationship with the Department of Education has existed for at least one year, may be financed through a letter-of-credit rather than the cash request system. The college has asked the Department of Education to be financed through a letter-of-credit method. The letter-of-credit system should help eliminate the delay in receiving the funds. In addition, the college has developed better methods of forecasting needs. Because the college has addressed this, we are disclosing this issue for information purposes and make no recommendation at this time.

Pell Validations

Students applying for a Pell grant send their applications to a central processor. This processor provides each applicant with a Student Aid Report (SAR). Students then take the SAR to the college, which determines the award amount. The Pell grant program regulations require the college to verify certain information submitted on the student's SAR prior to disbursing funds to the student. In addition, the college must complete the Validation Status Code on the SAR. By completing this section of the SAR, the college certifies it validated the SAR in accordance with the prescribed federal procedures.

We examined five Pell validations. Of these five, we noted one instance where the college did not indicate the proper validation code on the SAR. The college indicated the information on the SAR was accurate even though the SAR contained a $96 error. The individual's tax return indicated $96 more in income than was reported on the SAR. In accordance with federal regulations, the college should have indicated the information was within the tolerable limits. When the error is within the tolerable limits, the college can award the student the amount without reprocessing the SAR. Therefore, in this instance, the student received the proper Pell award.

RECOMMENDATION #4

WE RECOMMEND THE COLLEGE PROPERLY VALIDATE PELL APPLICATIONS.

INDIRECT COSTS

Section 17-3-111, MCA, requires state agencies to recover, to the fullest extent possible, indirect costs of administering federal grants. The college has an approved indirect cost rate of 48 percent. Unless federal regulations specifically prohibit indirect costs, the college can apply this rate to direct salaries and wages charged to federal grants.

During our audit, we noted the college did not claim indirect costs on a Department of Interior (DofI) grant. Although the DofI regulations do not prohibit claiming indirect costs, college personnel had an agreement with the contracting officer to not charge the indirect costs. By not charging the federal grant for the allowable indirect costs, the college used $3,792 of state funds in fiscal year 1984-85 to support the federal grant.

RECOMMENDATION #5

WE RECOMMEND THE COLLEGE RECOVER INDIRECT COSTS OF ADMINISTERING FEDERAL GRANTS IN ACCORDANCE WITH STATE LAW.

DISASTER RECOVERY PLAN

Disaster recovery procedures for computer operations provide for continuation of operations following a disaster such as fire, flood, or earthquake. The college does not have a formal written contingency plan for the recovery of data processing applications following a disaster. Lack of a written plan could cause unnecessary delay and excessive costs in recovery of critical applications. The college's critical applications include payroll, financial aid, accounts receivable, and registration.

College personnel indicated they just purchased a new computer system. They said they knew of no one else in the northwest with a similar computer that the college could use as a backup in case of a disaster. The college should provide for the replacement of records that may be destroyed and the continuity of operations following a major hardware or software failure. The college can accomplish this through either manual or other computer systems.

RECOMMENDATION #6

WE RECOMMEND THE COLLEGE FORMALIZE A WRITTEN DISASTER RECOVERY PLAN FOR CRITICAL DATA PROCESSING APPLICATIONS.

PRIOR AUDIT RECOMMENDATIONS

The previous financial-compliance audit of the college for the two fiscal years ended June 30, 1984, was performed by a CPA firm under contract with our office. The report contained six recommendations still applicable to the college. The college implemented or partially implemented all of these recommendations.

AUDITOR'S OPINION LETTER
AND COLLEGE FINANCIAL STATEMENTS

SUMMARY OF AUDIT OPINION

The auditor's opinion issued in this report is intended to convey to the reader of the financial statements the degree of reliance which can be placed on the amounts presented. The reader may rely on the fairness of the amounts presented in the statements shown on pages 13 through 30, when analyzing the unit's operations.

STATE OF MONTANA

Office of the Legislative Auditor

STATE CAPITOL
HELENA, MONTANA 59620
406/444-3122

SCOTT A. SEACAT
LEGISLATIVE AUDITOR

DEPUTY LEGISLATIVE AUDITORS:
JAMES GILLETT
FINANCIAL-COMPLIANCE AUDITS
JIM PELLEGRINI
PERFORMANCE AUDITS

LEGAL COUNSEL:
JOHN W. NORTHEY

The Legislative Audit Committee
of the Montana State Legislature:

We have examined the accompanying Balance Sheet of Montana College of Mineral Science and Technology as of June 30, 1986, and the related Statements of Changes in Fund Balances and Current Funds' Revenues, Expenditures and Other Changes for each of the two fiscal years then ended. Our examination was made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

The financial statements presented are only for Montana College of Mineral Science and Technology. Accordingly, the accompanying financial statements are not intended to present fairly the financial position of the state of Montana as of June 30, 1986, or the results of its operations and changes in its fund balances for the two fiscal years then ended, in conformity with generally accepted accounting principles.

In our opinion, the financial statements noted in paragraph one present fairly the financial position of Montana College of Mineral Science and Technology as of June 30, 1986, the changes in its fund balances, and the current funds' revenues, expenditures and other changes for each of the two fiscal years then ended in conformity with generally accepted accounting principles which have been applied on a consistent basis.

Our examination was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying Bond Accounts Schedule of Assets, Liabilities, and Fund Balance and Bond Accounts Schedule of Changes in Fund

Balances as of and for the fiscal year ended June 30, 1986, and the Schedule of Full-Time Equivalent (FTE) Students for the two fiscal years ending June 30, 1986, are presented as supplemental information and are not a required part of the basic financial statements. The information has been subjected to auditing procedures applied in our examination of the basic financial statements. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Respectfully submitted,

James Gillett, CPA
Deputy Legislative Auditor

October 22, 1986

MONTANA COLLEGE OF MINERAL
SCIENCE AND TECHNOLOGY
BALANCE SHEET
JUNE 30,1986

ASSETS

	CURRENT FUNDS							PLANT FUNDS		
	UNRESTRICTED GENERAL OPERATING	DESIGNATED	RESTRICTED	[illegible]	STUDENT LOAN FUND	ENDOWMENT FUND	AGENCY FUND	UNEXPENDED	RETIREMENT OF INDEBTEDNESS	INVESTMENT IN PLANT
[illegible] and in bank	40,100				724	871		12,036	775	
Deposit with Treasurer	586,429	118,329	57,620	[illegible]	9,513		104,056	2,499		
Loans receivable					213,795		99,616			
Receivable	24,890	24,892	257,147	[illegible]				116,328	3,370	
Interest Receivable		359	431	[illegible]	685	118	146	60,292	95	
Due to construction								99,578		
Allowance for bad loans				[illegible]	(7,500)					
Receivables	24,890	25,251	258,078	[illegible]	206,980	118	99,762	276,198	3,465	
Assets										
Trustees								716,366	620,890	
Montana short Investment plan		61,242		[illegible]	194,199	182,192	68,074	75,302		
Investments (Note [illegible])	0	61,242	0	[illegible]	194,199	182,192	68,074	791,668	620,890	
Debts.										
Prepaid expenses and										
Inventories	121,477	6,237	150	289	1,850					
Supplies	47,453	19,972		[illegible]						
Other assets	168,930	26,209	150	[illegible]	1,850	0	0	0	0	
Due (to) other funds	(388,697)	(11,820)	(184,086)	(23,898)			600,728	7,773		
Land, plant & equipment										
Land										[illegible]
Buildings										18,671,544
Improvements										[illegible],354,268
Equipment										9,334,081
Library assets										55,326
										[illegible],400,382
Total property, plant & equipment	0	0	0	[illegible]	0	0	0	0	0	[illegible],414,189
Assets	431,652	219,211	131,762	[illegible]	413,266	183,181	872,620	1,090,174	[illegible]	[illegible],414,189

See notes to financial statements

MONTANA COLLEGE OF MINERAL
SCIENCE AND TECHNOLOGY
BALANCE SHEET
JUNE 30,1986

LIABILITIES AND FUND BALANCES

	CURRENT FUNDS						PLANT FUNDS		
	UNRESTRICTED GENERAL OPERATING	DESIGNATED	RESTRICTED	AUXILIARIES	STUDENT LOAN FUND	ENDOWMENT FUND	AGENCY FUND	UNEXPENDED	RETIREMENT OF INDEBTEDNESS	INVESTMENT IN PLANT
payable and liabilities ated absences bond interest	252,982 612,643	24,312 31,420	16,520	1,188, 17,	4,821		694,153	10,871	62,479	
iabilities and ts d revenues ayable (Note 3)	65,668		22,447	1			178,467	8,942		6,745,000
liabilities	931,293	55,732	38,967	1 215,248	4,821	0	872,620	19,813	62,479	6,745,000
ances	(499,641)	163,479	92,795	3,609,527	408,445	183,181		1,070,361	562,651	28,669,189
abilities and alances	431,652	219,211	131,762	4,824,775	413,266	183,181	872,620	1,090,174	625,130	35,414,189

See notes to financial statements

MONTANA COLLEGE OF MINERAL SCIENCE AND TECHNOLOGY
STATEMENT OF CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 1986

	CURRENT FUNDS						PLANT FUNDS	
	UNRESTRICTED GENERAL OPERATING	DESIGNATED	RESTRICTED	AUXILIARIES	STUDENT LOAN FUND	ENDOWMENT FUND	UNEXPENDED	RETIREMENT OF INDEBTEDNESS	INVESTMENT IN PLANT
Revenues and other additions									
Unrestricted fund revenues:									
College	8,540,707	499,350	257,002	9,[illegible]81					
Bureau of Mines and Geology	1,526,423								
Land grant income (Note 4)							570,618		
Restricted student fees							190,941		
State appropriation							1,968,606		
Federal capital contributions								22,938	
Investment income					16,789	1,707	240,659	139,799	
Interest on loans					2,570				
Expended for plant facilities									5,620,016
Bond Proceeds (Note 3)								6,745,000	
Private gifts & donations							595,158		520,657
Other					211		8,603		
Total revenues and other additions	10,067,130	499,350	2,257,002	9,981,768	19,570	1,707	3,574,585	6,907,737	6,140,673
Expenditures and other deductions:									
Educational and general expenditures									
College	8,563,017	476,503	2,167,683	7,065,61[illegible]					
Bureau of Mines and Geology	1,548,139								
Indirect Cost Recoveries			120,825						
Compensated absences	17,841	(6,936)		[illegible]3,07[illegible]					
Loan cancellations and bad debt expenses					3,394				
Collection costs					648				
Expended for plant facilities							2,922,351		
Bond issuance costs (Note 3)							134,000	168,625	
Retirement of indebtedness								7,145,000	
Increase of indebtedness									3,795,670
Interest of indebtedness							351,416	335,624	
Disposal of Plant Facilities									171,394
Total expenditures and other deductions	10,128,997	469,567	2,288,508	[illegible]	4,042	0	3,407,767	7,649,249	3,967,064

See notes to financial statements

MONTANA COLLEGE OF MINERAL SCIENCE AND TECHNOLOGY
STATEMENT OF CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 1986

	CURRENT FUNDS						PLANT FUNDS		
	UNRESTRICTED GENERAL OPERATING	DESIGNATED	RESTRICTED	AUXILIARIES	STU[illegible] IDAN FUND	ENDOWMENT FUND	UNEXPENDED	RETIREMENT OF INDEBTEDNESS	INVESTMENT IN PLANT
Transfers among funds-									
Additions (Deductions)									
Mandatory -									
For retirement of Indebtedness							(636,000)	636,000	
For defeasance of bonds							(1,214,277)	1,214,277	
Voluntary transfers -									
Restricted			6,094	(10,[illegible])	(6,094)		10,000		
For repair & replacement							244,475	(244,475)	
Total transfers	0	0	6,094	(10,[illegible])	(6,094)	0	(1,595,802)	1,605,802	0
Movement of Bond Liability							2,064,526		
Loss on Debt Extinguishment (Note 3)								(1,047,117)	
Total transfers	0	0	6,094	(10,[illegible])	(6,094)	0	468,724	558,685	0
Net increase (decrease) in fund balance	61,867	29,783	(25,412)	2,909,228	9,434	1,707	635,542	(182,827)	2,173,609
Fund balance, beg. of year, as previously reported	(437,774)	86,787	118,207	700,299	399,011	181,474	434,819	745,478	26,495,581
ASMT Reclassification		46,909							
Fund balance, beg. of year, as restated	(437,774)	133,696	118,207	700,299	399,011	181,474	434,819	745,478	26,495,581
Fund balance, end of year	(499,641)	163,479	92,795	3,609,527	408,445	183,181	1,070,361	562,651	28,669,190
Fund balance consists of									
Unrestricted - College	111,929			3,621,528					
Bureau of Mines & Geology	1,073								
Compensated absences	(612,643)	(31,420)		(12,001)					
Designated		194,899			80,688				
Quasi endowment						18,000			
Endowment						165,181			
Restricted			92,795		327,757		1,070,361	562,651	
Net investment in plant									28,669,190
Total fund balances	(499,641)	163,479	92,795	3,609,527	408,445	183,181	1,070,361	562,651	28,669,190

See notes to financial statements

MONTANA COLLEGE OF MINERAL SCIENCE AND TECHNOLOGY
STATEMENT OF CURRENT FUNDS' REVENUES, EXPENDITURES AND OTHER CHANGES
FOR THE YEAR ENDED JUNE 30, 1986

	UNRESTRICTED GENERAL OPERATING FUND	DESIGNATED FUND	RESTRICTED FUND	AUXILIARIES FUND
Revenues:				
Tuition and fees	1,691,151			
State appropriations:				
College	6,746,855			
Bureau of Mines and Geology	1,474,121			
Indirect cost revenues	102,701			
Federal grants & contracts			1,173,624	
State grants & contracts			339,947	
Private grants & contracts			654,112	
Auxiliary enterprises				9,981,768
Sales and services:				
Bureau of Mines and Geology	52,302			
Designated		499,350		
Total revenues	10,067,130	499,350	2,167,683	9,981,768
Expenditures:				
Instructional	4,310,342			
Organized research	49,865		1,083,908	
Academic support	764,283		147,779	
Student services and aid	1,031,832		108,758	
Operation and maintenance of plant	1,320,323			
Institutional support	1,030,825	476,503	8,139	7,065,613
Scholarships and fellowships	294,067		819,099	
Recovery from Bureau of Mines and Geology	(238,520)			
	8,563,017	476,503	2,167,683	7,065,613
Independent operations:				
Bureau of Mines & Geology	1,309,619			
Services provided by College	238,520			
Compensated absences	17,841	(6,936)		(3,073)
Total expenditures	10,128,997	469,567	2,167,683	7,062,540

See notes to financial statements

MONTANA COLLEGE OF MINERAL SCIENCE AND TECHNOLOGY
STATEMENT OF CURRENT FUNDS' REVENUES, EXPENDITURES AND OTHER CHANGES
FOR THE YEAR ENDED JUNE 30, 1986

	UNRESTRICTED GENERAL OPERATING FUND	DESIGNATED FUND	RESTRICTED FUND	AUXILIARIES FUND
Transfers, increase (decrease):				
Voluntary transfers:				
Restricted			6,094	(10,000)
Excess of transfers to revenue over restricted receipts			(31,506)	
Total transfers	0	0	(25,412)	(10,000)
Net increase (decrease) in fund balance	(61,867)	29,783	(25,412)	2,909,228

See notes to financial statements

MONTANA COLLEGE OF MINERAL SCIENCE AND TECHNOLOGY
STATEMENT OF CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 1985

	CURRENT FUNDS						PLANT FUNDS		
	UNRESTRICTED GENERAL OPERATING	DESIGNATED	RESTRICTED	AUXILIARIES	STUDENT LOAN FUND	ENDOWMENT FUND	UNEXPENDED	RETIREMENT OF INDEBTEDNESS	INVESTMENT IN PLANT
Revenues and other additions									
Unrestricted fund revenues-									
College	9,556,211	386,587	2,258,137	8,594,415					
Bureau of Mines and Geology	1,499,970								
Land grant income (Note 4)							536,817		
Restricted student fees							212,296		
State appropriation							1,700,990		
Federal capital contributions					40,000		17,497	22,938	
Investment income					15,337	2,264	363,405	68,992	
Interest on loans					2,581				
Expended for plant facilities									4,430,379
Private gifts & donations									186,535
Retirement of Indebtedness									3,112,000
Other					5,129				
Total revenues and other additions	11,056,181	386,587	2,258,137	8,594,415	63,047	2,264	2,831,005	91,930	7,728,914
Expenditures and other deductions									
Educational and general expenditures-									
College	9,561,552	274,483	2,150,066	8,209,111					
Bureau of Mines and Geology	1,497,019								
Indirect Cost Recoveries			149,340						
Compensated absences	45,260								
Loan cancellations and bad debt expenses					6,602				
Collection costs					799				
Expended for plant facilities							3,624,793		
Bond issuance costs								468,248	
Retirement of Indebtedness								3,112,000	
Increase of Indebtedness									2,944,081
Increase of lease payable									5,249
Interest of Indebtedness								471,504	
Deferred loss on sale of securities								10,691	
Disposal of plant facilities									18,937
Total expenditures and other deductions	11,103,831	274,483	2,299,406	[illegible]	7,401	D	3,624,793	4,062,443	2,968,267

See notes to financial statements

MONTANA COLLEGE OF MINERAL SCIENCE AND TECHNOLOGY
STATEMENT OF CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 1985

	CURRENT FUNDS						PLANT FUNDS		
	UNRESTRICTED GENERAL OPERATING	DESIGNATED	RESTRICTED	AUXILIARIES	[illegible] LOAN FUND	ENDOWMENT FUND	UNEXPENDED	RETIREMENT OF INDEBTEDNESS	INVESTMENT IN PLANT
Transfers among funds-									
Additions (Deductions)									
Mandatory -									
For retirement of indebtedness							(307,000)	307,000	
For defeasance of bonds				(100,000)			(3,185,384)	3,285,384	
Voluntary transfers -									
Restricted			7,439		(7,439)				
Total transfers	0	0	7,439	(100,000)	(7,439)	0	(3,492,384)	3,592,384	0
Movement of Bond Liability							2,944,081		
Gain on Debt Extinguishment (Note 3)								884,689	
Total transfers	0	0	7,439	(100,000)	(7,439)	0	(548,303)	4,477,073	0
Net increase (decrease) in fund balance	(47,650)	112,104	(33,830)	285,[illegible]	48,207	2,264	(1,342,091)	506,560	4,760,647
Fund balance, beginning of year, as previously reported	(453,378)	13,039	152,037	430,0[illegible]	350,804	179,210	1,776,910	238,918	21,734,934
Compensated absences adjustment (Note 6)	63,254	(38,356)		(15,074)					
Fund Balance beginning of year as restated	(390,124)	(25,317)	152,037	414,995	[illegible]0,804	179,210	1,776,910	238,918	21,734,934
Fund balance, end of year	(437,774)	86,787	118,207	700,299	399,011	181,474	434,819	745,478	26,495,581
Fund balance consists of									
Unrestricted - College	134,240			715,3[illegible]					
Bureau of Mines & Geology	22,789								
Compensated absences	(594,803)	(38,355)		(15,074)					
Designated		125,142			80,097				
Quasi endowment						18,000			
Endowment						163,474			
Restricted			118,207		318,914		434,819	745,478	
Net investment in plant									26,495,581
Total fund balances	(437,774)	86,787	118,207	700,299	399,011	181,474	434,819	745,478	26,495,581

See notes to financial statements

MONTANA COLLEGE OF MINERAL SCIENCE AND TECHNOLOGY
STATEMENT OF CURRENT FUNDS' REVENUES, EXPENDITURES AND OTHER CHANGES
FOR THE YEAR ENDED JUNE 30, 1985

	UNRESTRICTED GENERAL OPERATING FUND	DESIGNATED FUND	RESTRICTED FUND	AUXILIARIES FUND
Revenues:				
Tuition and fees	1,665,075			
State appropriations:				
College	7,764,197			
Bureau of Mines and Geology	1,458,349			
Indirect cost revenues	126,939			
Federal grants & contracts			1,209,703	
State grants & contracts			227,474	
Private grants & contracts			712,889	
Auxiliary enterprises				8,594,415
Sales and services:				
Bureau of Mines and Geology	41,621			
Designated		386,587		
Total revenues	11,056,181	386,587	2,150,066	8,594,415
Expenditures:				
Instructional	4,994,696			
Organized research	111,555		1,093,821	
Academic support	781,313		191,119	
Student services and aid	1,065,980		122,946	
Operation and maintenance of plant	1,390,167			
Institutional support	1,170,810	274,483		8,209,111
Scholarships and fellowships	280,617		742,180	
Recovery from Bureau of Mines and Geology	(233,586)			
	9,561,552	274,483	2,150,066	8,209,111
Independent operations:				
Bureau of Mines & Geology	1,263,433			
Services provided by College	233,586			
Compensated absences	45,260			
Total expenditures	11,103,831	274,483	2,150,066	8,209,111

See notes to financial statements

MONTANA COLLEGE OF MINERAL SCIENCE AND TECHNOLOGY
STATEMENT OF CURRENT FUNDS' REVENUES, EXPENDITURES AND OTHER CHANGES
FOR THE YEAR ENDED JUNE 30, 1985

	UNRESTRICTED GENERAL OPERATING FUND	DESIGNATED FUND	RESTRICTED FUND	AUXILIARIES FUND
Transfers, increase (decrease):				
Voluntary transfers:				
Restricted			7,439	
For defeasance of bond				(100,000)
Excess of transfers to revenue over restricted receipts			(41,269)	
Total transfers	0	0	(33,830)	(100,000)
Net increase (decrease) in fund balance	(47,650)	112,104	(33,830)	285,304

See notes to financial statements

MONTANA COLLEGE OF MINERAL
SCIENCE AND TECHNOLOGY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 1986 AND 1985

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Accrual Basis

The financial statements have been prepared on the accrual basis in accordance with generally accepted accounting principles for colleges and universities.

The statements of current funds' revenues, expenditures and other changes are statements of financial activities of current funds related to the current reporting period and do not purport to present the results of operations or the net income or loss for the periods.

Fund Accounting

The accounts of the college are maintained in accordance with the principles of fund accounting wherein resources are classified for accounting purposes into funds that are identified by the limitations and restrictions placed on their use.

Separate accounts are maintained for each fund; however, accounts with common characteristics are combined into fund groups and reflected as such in the accompanying financial statements.

The common characteristics of the funds contained in the various groups are as follows:

Current Funds:

The current funds group includes economic resources expendable in performing the primary objectives of the university, i.e., instruction, research and public service. The current funds' group have two basic distinct subgroups: unrestricted funds which have no expenditure restrictions and restricted funds which have expenditure restrictions. Unrestricted current funds are comprised of the following:

General Operating - utilized for general operations in performing the primary objectives of the college.

Appropriations in the General Operating account are made by the Legislature for operating purposes of Montana College of Mineral Science and Technology. Expenditures against these appropriations are funded by corresponding funds at the state level. Unexpended or unencumbered balances in these appropriations revert to the respective state funds at year-end.

Montana Bureau of Mines & Geology, a separate state agency, for appropriation purposes, functions as an integral part of the college. Applicable revenues and expenditures are identified separately in the financial reports.

Designated - utilized for education and laboratorial related service activities which are self-supporting. These funds are separately classified in order to accumulate and distinguish the cost of these specialized services or function areas.

Auxiliary Enterprises - utilized in providing essential on-campus services primarily to students, faculty and staff (self-supporting).

Restricted current funds are utilized for financing current operations, but limited by external donors and funding agencies to specific purposes, program & departments.

Student Loan Funds:

The resources from this group of funds are available to students to aid in financing their education. Funds for the loans are provided by private and college sources with the majority of the funds being provided by the federal government.

Endowment Funds:

Endowment funds are funds with specific donor or other outside agency restrictions negating the expenditure of the principal. Generally, the principal is to be maintained in perpetuity and invested for the purpose of producing income.

Plant Funds:

Plant funds are separated into three distinct self-balancing subgroup accounts:

Unexpended Plant - utilized for long-term institutional assets and for institutional asset maintenance.

Retirement of Indebtedness - utilized for debt servicing and retirement of indebtedness.

Investment in Plant - denotes the cost of long-term institutional assets and related liabilities and equity.

Agency Funds:

Agency funds - includes assets held by the institution as a custodian or fiscal agent for other organizations or individuals.

Inventories:

Inventories, which consist mainly of bookstore supplies, are valued at cost (first-in/first out method). Added to inventory for fiscal year ending June 30, 1985 were the Physical Plant, Computer Center, and Duplicating Copy Center.

Investments:

Investments are carried at cost which approximate market value at June 30, 1986.

Plant and Equipment:

Equipment acquired with restricted grants and contracts are recorded as an addition to investment in plant at the time purchase. On certain grants and contracts, title to equipment purchased is vested with the grantor or contractor until completion of the project at which time the equipment may revert to the college.

Capital additions funded directly by the state and federal government during the year ended June 30, 1986 and 1985 are recorded as additions to investment in plant.

No provision has been made for depreciation of plant facilities.

Unearned Tuition and Fees:

Summer school tuition and fee revenues and related expenses are deferred at June 30 and recorded as revenue and expense in the succeeding fiscal years.

Retirement Plans:

Full-time employees of the Montana College of Mineral Science and Technology are all members of the Montana Public Employees' Retirement System or Montana Teachers' Retirement System. The college's contribution to the plans totaled $495,174 for the year ended June 30, 1986 and $539,129 for the year ended June 30, 1985. At June 30, 1986, the Public Employees' Retirement System, and at June 30, 1985, the Teachers' Retirement System were determined to be actuarially sound as reported by the system' actuary. The unfunded past service costs and the actuarially computed value of the vested benefits are not readily available for members of the plans employed by the college.

Statewide Budgeting and Accounting System

The balance sheet, statement of changes in fund balances and statement of current funds' revenues, expenditures and other changes have been prepared in accordance with generally accepted accounting principles; consequently, these reports may differ from the financial information recorded in the Statewide Budgeting and Accounting System.

NOTE 2 - INVESTMENTS:

Investments at June 30, 1986 consisted of the following:

	1986
Montana Short-term Investment Pool (STIP)	$ 4,949,175
First Bank Trustee Account	1,337,256
	$ 6,286,431

The investments at June 30, 1986 are owned by the following funds:

	1986
Restricted Fund	$
Auxiliaries Fund (1)	4,368,167
Student Loan Fund	194,199
Endowment Fund	182,192
Agency Fund	129,315
Unexpended Plant Fund	791,668
Retirement of Indebtedness Plant Fund	620,890
	$ 6,286,431

(1) Includes $4,287,309 of MUS Group Insurance Funds for 1986.

NOTE 3 - BONDS PAYABLE:

(1) AT JUNE 30, 1985, BONDS PAYABLE WERE;

Facilities Improvement Revenue Bonds, Series A 1984	$ 7,145,000

On September 14, 1984, the Board of Regents of Higher Education authorized the issuance of Series A 1984, Facilities Improvement Revenue Bonds, and the refunding and defeasance of the following bonds payable:

Series/Dated	Purpose	Original Principal Amount	Outstanding Principal Dec. 12, 1984
Series 1958 Oct. 1, 1958	Student Union	$ 250,000	$ 95,000
Series 1970 April 1, 1970	Student Union Residence Hall	1,200,000	920,000
Series 1978 May 1, 1978	HPER Facility	2,275,000	2,060,000

The principal amounts of the bonds mature on November 15th of varying years with varying interest rates as follows:

MATURITY (November 15)	PRINCIPAL AMOUNTS MATURING	INTEREST RATE (PER ANNUM)
1985	$ 75,000	6.50 %
1986	80,000	6.75
1987	85,000	7.25
1988	95,000	7.75
1989	100,000	8.00
1990-2009	6,710,000	8.25 - 10.375
	$ 7,145,000	

Bond Defeasance:

On December 12, 1984, funds from various accounts associated with the refunded bonds in the amount of $2,214,885 were used to refund the $3,075,000 outstanding bonds. This defeasance resulted in a gain on debt extinguishment of $884,689 and is reflected in the financial statements.

Under the escrow agreement dated December 12, 1984 between the Board of Regents of Higher Education for the State of Montana and First Trust Company of Montana in Billings, Montana, as escrow agent, the proceeds were used to purchase United States Government Obligations to pay both the principal and interest on the Refunded Bonds as they become due.

(2) AT JUNE 30, 1986, BONDS PAYABLE ARE;

Facilities Refunding Revenue Bonds, Series A 1986	$ 6,745,000

On May 15, 1986, the Board of Regents of Higher Education authorized the issuance of Series A 1986, Refunding Revenue Bonds and the refunding and defeasance of outstanding Refunded Bonds.

The Refunded Bonds were issued under the terms of resolutions and an Indenture of the Board adopted prior to the date of issuance and delivery of the Refunded Bonds. The Refunded Bonds are described as follows:

Series/Dated	Purpose	Original Principal Amount	Outstanding Principal Amount as of May 15, 1986
Series A 1984 December 1, 1984	Refunding Outstanding Bonds, construction, renovation, furnishing and equipping of new and existing residence hall and student family housing facilities, dining facilities, student union facilities and physical education facilities	$ 7,145,000	$ 7,070,000
TOTAL		$ 7,145,000	$ 7,070,000

The principal amounts of the bonds mature on November 15th of varying years with varying interest rates as follows:

MATURITY (November 15)	PRINCIPAL AMOUNTS MATURING	INTEREST RATE (PER ANNUM)
1986	$ 130,000	4.50%
1987	115,000	5.00%
1988	120,000	5.50%
1989	125,000	6.00%
1990	135,000	6.20%
1990-2009	6,120,000	6.35-7.625%
	$6,745,000	

Bond Defeasance

On May 28, 1986, bond proceeds from the Facilities Refunding Revenue Bonds plus funds from various accounts associated with the refunded bonds in the amount of $8,142,067 were used to refund the $7,070,000 outstanding bonds. This defeasance resulted in a loss on debt extinguishment of $1,047,118 and is reflected in the financial statements.

Under the escrow agreement dated May 15, 1986 between the Board of Regents of Higher Education for the State of Montana and First Trust Company of Montana in Billings, Montana, as escrow agent, the proceeds were used to purchase United States Government nonrecallable direct obligation to pay the principal and interest on the Refunded Bonds at or before their respective maturities and on the prior redemption date designated for the Refunded Bonds.

Bond Issuance:

The proceeds of the bond sale, as required by the indenture, in the amount of $6,745,000 are reflected in the financial statements.

The Facilities Refunding Revenue Bonds, Series A 1986 indenture provides, among other things, that the College will maintain revenues to meet required annual principal and interest payments and annual operation and maintenance expense that the College will maintain a bond and interest sinking fund account and repair and replacement reserve account, provide audited financial statements of the College to the trustee as well as to any requesting bondholders, and pledge and appropriate the net revenues of the project, student building fees, and land grant income for the retirement of bonds payable.

The College is also a recipient of a federal debt service grant restricted for use in retirement of bond indebtedness.

NOTE 4 - LAND GRANT STATUS:

The Congress of the United States, by the enabling act approved February 22, 1889, granted to the State of Montana 100,000 acres for the college and provided that all monies received from the sale of lands belonging to this grant, together with proceeds from the sale of timber, oil royalties and other minerals, should be credited to a permanent fund for each of the land grant institutions. These monies are currently pledged to the Series A 1986 revenue bonds. It also provided that permanent funds could not be used for any other purpose and must remain forever inviolate as the property of each of the land grant funds.

The college's land grant assets are not reflected in these financial statements, but are shown in the Montana Department of Land's financial statements.

NOTE 5 - MUS GROUP INSURANCE PLAN:

Beginning in fiscal year 1984-85, the auxiliary enterprise fund includes activity for the Montana University System Group Insurance Plan. In June, 1984 the Board of Regents authorized (Item 43-901-R0684) establishment of a partially self-insured group insurance plan for Montana University System employees including all authorized affiliated group employees. The Board item stated that the plan will be administered as an auxiliary enterprise account utilizing the accounting system of Montana Tech.

For FY 85, the program collected $7,328,054 in revenues and paid out $7,014,721 in operating expenses, equipment costs, claims payments, and minimum premium costs. This resulted in a fund balance of $313,332 including $1,522,439 of STIP Investments.

For FY 86, the program collected $8,856,015 in revenues and paid out $5,962,668 in operating expenses, equipment costs, claims payments,

and minimum premium costs. This resulted in a fund balance of $3,206,679 including $4,287,309 of STIP Investments.

Subsequent Event

In June, 1986 the Board of Regents rescinded Board Item 43-901-R0684. The plan will no longer be administered as an auxiliary enterprise account at Montana Tech. Instead the plan will be administered as an enterprise fund in the state fund structure contingent upon the group plan reserves being allowed to retain interest earnings. If the group plan loses its ability to retain interest under the enterprise fund the accounting for the plan shall be returned to Montana Tech's Auxiliary Enterprise fund.

NOTE 6 - COMPENSATED ABSENCES:

On July 1, 1982, the college started accounting for unused vacation and sick leave in accordance with the Statement of Financial Accounting Standards No. 43, Accounting for Compensated Absences. Permanent employees can accumulate and carry to the following calendar year two times the maximum number of vacation days earned annually. Unused vacation leave is paid at full value to employees upon termination. Upon termination, unused sick leave earned since July 1, 1971, is paid to the employee at 25% value.

The accumulated fund balance for compensated absences totaled $656,065 for the year ended June 30, 1986.

Beginning fund balance for FY85 was adjusted for compensated absences between current funds as follows:

	Unrestricted General Operation	Designated	Auxiliaries
Fund Balance, beginning of year as previously reported	(453,378)	13,039	430,039
Compensated absences adjustment	63,254	(38,356)	(15,074)
Fund Balance, beginning of year as restated	(390,124)	(25,317)	414,995

MONTANA COLLEGE OF MINERAL SCIENCE AND TECHNOLOGY
BOND ACCOUNTS
SCHEDULE OF ASSETS, LIABILITIES, & FUND BALANCE
JUNE 30,1986

	CURRENT FUNDS	PLANT FUNDS	
	Pledged Auxiliaries	Unexpended	Retirement of Indebtedness
ASSETS			
Cash on deposit	35,968	13,413	775
Accounts receivable and interest	29,046	176,489	3,465
Investments:			
Held by trustees		716,366	620,890
State of Montana short-term investment plan	38,711	52,988	
Total investments	38,711	769,354	620,890
Other Assets:			
Inventories	321,027		
Prepaid Expenses	289		
Construction Advances		30,938	
Total other assets	321,316	30,938	0
Due from (to) other funds	(21,160)	5,304	
Total assets	403,881	995,498	625,130
LIABILITIES AND FUND BALANCE			
Liabilities:			
Accounts payable and accrued liabilities	16,912	5,047	62,479
Other liabilities and deposits	15,020		
Unearned revenues		6,149	
Total liabilities	31,932	11,196	62,479
Fund Balances	371,949	984,302	562,651
Total liabilities and fund balances	403,881	995,498	625,130

MONTANA COLLEGE OF MINERAL SCIENCE AND TECHNOLOGY
BOND ACCOUNTS
SCHEDULE OF CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 1986

	CURRENT FUNDS	PLANT FUNDS	
	Pledged Auxiliaries	Unexpended	Retirement of Indebtedness
Revenues and other additions:			
Unrestricted fund revenues	1,056,904		
Land grant income		570,618	
Restricted student fees		140,191	
Federal capital contributions			22,938
Investment income	5,077	239,060	139,800
Bond proceeds			6,745,000
Total revenues and other additions	1,061,981	949,869	6,907,738
Expenditures and other deductions:			
General expenditures	1,047,988		
Capital expenditures	9,426		
Expended for plant facilities		531,747	
Bond issuance costs		134,000	168,625
Retirement of indebtedness			7,145,000
Interest of indebtedness		351,416	335,624
Total expenditures and other deductions	1,057,414	1,017,163	7,649,249
Net revenue over (under) exenditures	4,567	(67,294)	(741,511)
Transfers among funds- Additions (deductions) for retirement of indebtedness	(10,000)	(1,595,802)	1,605,802
Movement of bond liability		2,226,926	
Loss on Debt Extinguishment			(1,047,117)
Net increase (decrease) in fund balance	(5,433)	563,830	(182,826)
Fund balance, beginning of year, as previously reported	377,382	420,471	745,478
Fund balance, end of year	371,949	984,301	562,652

MONTANA COLLEGE OF MINERAL SCIENCE AND TECHNOLOGY
SCHEDULE OF FULL-TIME EQUIVALENT (FTE) STUDENTS
FOR THE TWO FISCAL YEARS ENDING JUNE 30, 1986

Semester	Year	Undergraduate FTEs Reported [1]	Graduate FTEs Reported [2]	Total FTEs Reported
Summer	1984	156	4	160
Fall	1984	1,863	34	1,897
Spring	1985	1,650	51	1,701
Summer	1985	128	3	131
Fall	1985	1,598	41	1,639
Spring	1986	1,493	54	1,547

[1] Undergraduate semester credit hours divided by 15.

[2] Graduate semester credit hours divided by 12.

AGENCIES' RESPONSE

MONTANA TECH
Butte, Montana 59701
(406) 496-4101

February 19, 1987

Mr. Scott A. Seacat
Office of the Legislative Auditor
State Capitol
Helena, Montana 59620

RE: Financial-Compliance Audit
Two Fiscal Years Ended June 30, 1986

Dear Scott:

Please find enclosed Montana Tech's responses to the final report on the audit of the College and Bureau of Mines.

My staff has enjoyed working with you. We appreciate your cooperation throughout the audit.

Sincerely,

Victor Burt
V.P. Fiscal and Administrative Services

dco

Enclosure

MONTANA TECH AUDIT REPLY

RECOMMENDATION #1

WE RECOMMEND THE COLLEGE REPORT STUDENT FTE IN ACCORDANCE WITH REGENTS POLICY.

RESPONSE:

Concur. The College is currently reporting enrollments net of restricted funds.

RECOMMENDATION #2

WE RECOMMEND THE COLLEGE ACCOUNT FOR MONEYS NOT SPECIFICALLY RESTRICTED AS TO USE BY EXTERNAL SOURCES IN THE UNRESTRICTED FUND.

RESPONSE:

Concur. Upon completion and once compliance requirements have been met, a transfer will be made to the appropriated Unrestricted Designated Account. In the future the placer mining class will be accounted for in the appropriate Unrestricted Designated Account.

RECOMMENDATION #3

WE RECOMMEND THE COLLEGE ESTABLISH PROCEDURES TO CHARGE FEDERAL GRANTS FOR LEAVE BENEFITS EARNED BY EMPLOYEES WHILE WORKING ON GRANTS.

RESPONSE:

Concur. The College is currently in the process of developing procedures to charge the leave expenses. Charges for leave benefits will be implemented by fiscal year end.

RECOMMENDATION #4

WE RECOMMEND THE COLLEGE PROPERLY VALIDATE PELL APPLICATIONS.

RESPONSE:

Concur. The student did receive the proper Pell award. Extra precautions will be taken to insure proper validation coding and eliminate errors of this type.

RECOMMENDATION #5

WE RECOMMEND THE COLLEGE RECOVER INDIRECT COSTS OF ADMINISTERING FEDERAL GRANTS IN ACCORDANCE WITH STATE LAW.

RESPONSE:

Concur. This particular contract was negotiated without indirect costs. The College foresees problems in this area due to the fact that some state agencies are refusing to pay indirect costs as required by Board policy of the Board of Regents of Higher Education.

RECOMMENDATION #6

WE RECOMMEND THE COLLEGE FORMALIZE A WRITTEN DISASTER RECOVERY PLAN FOR CRITICAL DATA PROCESSING APPLICATIONS.

RESPONSE:

Concur. The Director of the Computer Center is currently developing a disaster plan. This plan will be implemented by fiscal year end.

THE MONTANA UNIVERSITY SYSTEM
33 SOUTH LAST CHANCE GULCH
HELENA, MONTANA 59620-2602
(406) 444-6570

COMMISSIONER OF HIGHER EDUCATION

February 10, 1987

RECEIVED
FEB 11 1987
MONTANA LEGISLATIVE AUDITOR

Scott A. Seacat
Legislative Auditor
State Capitol
Helena, Montana 59620

Dear Mr. Seacat:

The audit of the Montana College of Mineral Science and Technology contains two sections that I would offer a response.

Recommendation #1

We recommend the college report student FTE in accordance with Regent's policy.

This matter was discussed with the Council of Presidents in November. Because the military only provides funds for the direct cost of the courses, we feel that the student credit hours should be counted as unrestricted enrollment. The campuses will also deposit the federal money in the unrestricted account. This would offset the general fund cost portion of the formula and leave us with the ability to generate the indirect costs associated with student credit hours generated. We will amend the Regent policy accordingly.

Your report also mentions accounting for student organizations after the most recent Attorney General's opinion on that subject.

The campuses were notified on February 4, 1987, that the accounting and financial reporting of student organizations would be moved to designated funds.

Sincerely,

Jack

John H. Noble, Jr.
Deputy Commissioner for
Management and Fiscal Affiars

JHN/llt